CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

January 20, 1998

H.R. 2000
A bill to amend the Alaska Native Claims Settlement Act to make certain clarifications to the land bank protection provisions, and for other purposes

As ordered reported by the House Committee on Resources on October 1, 1997

SUMMARY

CBO estimates that enacting H.R. 2000 would increase direct spending by about $34 million over the 1998-2003 period. Because the bill would affect direct spending, pay-as-you-go procedures would apply.

H.R. 2000 contains at least one intergovernmental mandate as defined in the Unfunded Mandates Reform Act of 1995 (UMRA), but CBO estimates that any costs imposed on state, local, and tribal governments would be minimal and would not exceed the threshold established in that act ($50 million in 1996, adjusted annually for inflation). The bill contains no private-sector mandates as defined in UMRA.

This cost estimate revises and supersedes the CBO estimate provided on October 29, 1997. The revisions are explained below.

DESCRIPTION OF THE BILL'S MAJOR PROVISIONS

H.R. 2000 would affect the terms and conditions of various property transactions involving Alaska native corporations. Several provisions would affect the property rights of specific native corporations.

H.R. 2000 would amend existing law by assigning a value of $39 million to properties to be conveyed by the Calista Corporation in exchange for monetary credits to certain federal properties if the Department of the Interior (DOI) and the corporation have not agreed on the value of the exchange by January 1, 1998. The bill would allow the Doyon, Limited, native corporation to obtain the subsurface rights retained by the federal government in up to 12,000 acres of public lands surrounded by or contiguous to corporation-owned properties. Another provision would expand the entitlement of the Cook Inlet Region Incorporated (CIRI) to include subsurface rights to an additional 3,520 acres.

The bill would permit individual natives to exclude bonds issued by a native corporation from the assets used for determining financial eligibility for federal need-based assistance or benefits.

The bill would extend certain protections to lands exchanged among corporations, clarify the status of applications involving land allotments, and exempt a corporation's revenues from sand, gravel, and certain other resources from the income distribution requirements that apply to regional corporations' development of subsurface property. The bill would specify the method of distributing mining claim revenues related to the Haida Corporation or Haida Traditional Use sites.

Finally, the bill includes administrative provisions affecting contracting preferences for visitor services, and requiring a status report by the Secretary of the Interior on implementing current laws on local hiring and contracting with regard to public lands.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

CBO estimates that enacting this bill would increase direct spending by $21 million in 1998 and $34 million over the 1998-2003 period. The estimated budgetary impact of enacting H.R. 2000 is shown in the following table. The costs of this legislation fall within budget function 300 (natural resources and environment).

	By Fiscal Year, in Millions of Dollars					
	1998	1999	2000	2001	2002	2003
DIRECT SPENDING (including offsetting receipts)						
Spending Under Current Law						
Estimated Budget Authority	5	0	0	0	0	0
Estimated Outlays	5	0	0	0	0	0
Proposed Changes						
Estimated Budget Authority	21	0	0	0	0	13
Estimated Outlays	21	0	0	0	0	13
Spending Under H.R. 2000						
Estimated Budget Authority	26	0	0	0	0	13
Estimated Outlays	26	0	0	0	0	13

BASIS OF ESTIMATE

Direct Spending

CBO estimates that enacting H.R. 2000 would increase direct spending because of provisions that would issue monetary credits.

Calista Corporation property account. The costs of this bill would result primarily from section 5, which prescribes the value of the Calista Corporation's properties to be exchanged for monetary credits with the Department of the Interior to complete a land exchange between the two parties. Under current law, the Calista Corporation is to receive monetary credits equal to the value of the lands to be conveyed, and the corporation is authorized to use these monetary credits to complete the land exchange by purchasing other federal property. The value of monetary credits counts as direct spending in the year they are issued. So far no monetary credits have been awarded because DOI and Calista disagree on the valuation of the properties.

The gap between the valuations is substantial: the department's appraisal assigned a value of about $5 million to the properties, while the corporation asserts that their property is worth significantly more. Given the differences in methodologies and values, this impasse could last for some time. Because the department will not award monetary credits until there is an agreement, it is possible that, under current law, Calista would not receive any monetary credits for several years. For the purpose of this estimate, however, we assume an agreement will be reached in fiscal year 1998, because of Calista's interest in acquiring property with the credits. Although a negotiated valuation could exceed DOI’s $5 million appraisal, CBO has no basis for estimating whether and to what extent the Secretary would agree to a higher value. Hence, we assume for this estimate that Calista would receive monetary credits of about $5 million in fiscal year 1998 in the absence of this legislation.

H.R. 2000 provides that if the parties do not agree on a value of the Calista properties to be exchanged, the value would be established at $39 million. If the exchange does not occur before January 1, 1998, the bill directs the Secretary of the Treasury to credit the Calista property account with two-thirds of the established value of the Calista property ($26 million) in monetary credits in fiscal year 1998. The corporation would be permitted to use up to one-half of that amount in fiscal year 1998 and the remaining one-half of the amount in fiscal year 1999. If the two parties have not completed the exchange by October 1, 2002, the bill directs the Secretary of the Treasury to credit the account with monetary credits equal to the remaining $13 million. These actions would result in a net increase of $34 million in the amount of credits issued. Monetary credits are scored as direct spending in the year they are issued.

The bill provides that only federal property not scheduled to be sold before fiscal year 2003 may be transferred to the Secretary of the Interior for use in the Calista land exchange. However, that limitation does not apply to the corporation's use of monetary credits to purchase federal property, including Treasury securities.

Subsurface conveyance to Doyon Limited. Section 2 would allow Doyon, Limited, a regional corporation, to acquire up to 12,000 acres of federally owned mineral estate surrounded by or contiguous to subsurface lands owned by that corporation. According to DOI, the federally owned mineral estate that Doyon, Limited, could acquire under the bill currently has no mineral development. Based on information from the agency, we estimate that although the federal land to be conveyed has some potential for future development, any forgone receipts from the conveyance would total less than $500,000 per year.

Change in eligibility for certain federal assistance. Section 3 would permit Alaska natives to exclude bonds issued by a native corporation from the assets and resources used to determine financial eligibility for federal need-based assistance or benefits. Under current law, natives may exclude certain assets, including stocks issued or distributed by a native corporation as a dividend, from federal financial eligibility tests. This provision would expand the permitted exclusions to include bonds issued by native corporations. Enacting this provision could have limited effects on the federal budget in certain situations. For example, according to a representative of Cook Inlet Region Incorporated (CIRI), this provision would give CIRI greater flexibility in financing a corporate buy-back of its shares, which it seeks in order to keep shares in native ownership. (Because CIRI is the only native corporation currently authorized (under Public Law 104-10) to purchase stock from its shareholders, natives in other native corporations would not be affected in this case.) Enacting the provision could increase federal spending by allowing CIRI shareholders, who had planned to sell their shares to CIRI in exchange for a bond and would have stopped receiving federal assistance payments once their assets exceeded financial eligibility tests, to continue to receive federal assistance. We estimate that any such increase in federal assistance payments would total less than $500,000 per year.

Change in CIRI's subsurface rights. Section 4 would increase the entitlement of CIRI to include subsurface rights to an additional 3,520 acres of federal land. Based on information from CIRI representatives and DOI, the corporation is likely to choose properties in the Talkeetna Mountains area. According to DOI, the federal government currently generates no offsetting receipts from that land and does not expect any significant income from it over the next ten years. Therefore, we estimate that any budgetary effect of enacting this provision would be negligible.

PAY-AS-YOU-GO CONSIDERATIONS

Section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985 sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. As shown in the following table, CBO estimates that enacting H.R. 2000 would affect direct spending by increasing the amount of monetary credits issued to the Calista Corporation by $34 million over the 1998-2007 period. Other provisions could also affect direct spending by giving various native corporations the rights to income-producing federal lands, but we estimate that any such additional effects would be negligible. For the purposes of enforcing pay-as-you-go procedures, only the effects in the budget year and the subsequent four years are counted.

Summary of Effects on Direct Spending and Receipts

	By Fiscal Year, in Millions of Dollars									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Changes in outlays	21	0	0	0	0	13	0	0	0	0
Changes in receipts	Not applicable									

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

H.R. 2000 contains at least one intergovernmental mandate as defined in UMRA, but CBO estimates that any costs imposed on state, local, and tribal governments would be minimal and would not exceed the threshold established in that act ($50 million in 1996, adjusted annually for inflation).

Mandates

Section 1 of this bill would amend the Alaska National Interest Lands Conservation Act to clarify what lands are eligible for automatic land protections, including exemption from property taxes. This provision would impose a mandate on the state of Alaska and its constituent local governments because it could increase the amount of land exempt from state and local property taxes. (UMRA defines the direct costs of mandates to include revenues that state, local, or tribal governments would be prohibited from collecting.) Based on information provided by Alaska state officials, we estimate that the impact would be negligible, because Alaska has no state property tax and most of the land affected would be in areas of the state with no local property taxes.

By exempting the bonds of native corporations and the income from those bonds from the determination of eligibility for some means-tested federal assistance programs, section 3 would increase spending for those programs. Because states share these costs, this provision would impose costs on state governments. CBO cannot determine whether some of these costs would result from an intergovernmental mandate, as defined in UMRA. In any event, CBO estimates that any additional costs to states would be minimal.

Other Impacts

Other sections of the bill would result in both costs and benefits for state, local, and tribal governments. Several sections of the bill would benefit specific Alaska native corporations, but some of these provisions could affect the distribution of land and other resources among the corporations. For example, section 7 would allow regional corporations to dispose of sand, gravel, and similar materials without distributing part of the proceeds among the other regional corporations, as required by current law. This change would allow village corporations to gain greater access to these resources.

Other provisions would benefit Alaska native corporations by expanding their rights to property and resources currently held by the federal government. Section 5 would specify the value of the properties to be exchanged by the Calista Corporation for other federal properties. This section would effectively increase the amount of property that the corporation could obtain. Section 2 would allow Doyon, Ltd., a regional native corporation, to obtain additional subsurface rights now retained by the federal government. Section 4 would give CIRI subsurface rights to an additional 3,520 acres.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

This bill would impose no new private-sector mandates as defined un UMRA.

PREVIOUS CBO ESTIMATE

This revised cost estimate supersedes a CBO cost estimate prepared on October 29, 1997, for H.R. 2000 as ordered reported by the House Committee on Resources on October 1, 1997.

CBO has revised the estimate of total costs for H.R. 2000 from $17 million over the 1998-2007 period to $34 million over the same period. In our previous estimate, we assumed that one-half of the monetary credits issued under H.R. 2000 would be used to purchase federal land that would not otherwise be sold. CBO has since learned that monetary credits may be used to purchase U.S. Treasury securities as well as real and tangible personal property. In fact, two Alaska Native Corporations have obtained Treasury securities with their monetary credits within the last two years: Gold Creek used $5 million of their monetary credits to buy Treasury securities in October 1996, and the Haida Corporation used $48 million of monetary credits to buy Treasury securities in March 1997. Because monetary credits can be used to purchase Treasury securities, which may be converted into cash, CBO now believes that the issuance of monetary credits will not increase federal sales of land. Therefore, CBO's best estimate of the cost of H.R. 2000 is simply the amount of monetary credits to be issued: $34 million.

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